GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2293
ANSWERED ON:10.03.2006
PRUDENTIAL EXPOSURE LIMITS
Ramadass Prof. M

Will the Minister of FINANCE be pleased to state:

(a) the number of banks that had sanctioned credit in excess of prudential exposure limits during the last three years;

(b) the action taken by the Reserve Bank of India on such banks for violation of prudential exposure limits;

(c) whether the Government has a proposal to set up a separate `monitoring cell` for continuous monitoring of compliance of RBI guidelines;

(d) if so, the time by which it is likely to set up;

(e) whether the Government proposes to introduce a system of `Government audits` as a measure of reducing Non-performing Assets in banks; and

(f) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) 51, 58 and 59 banks have sanctioned credit in excess of prudential exposure limits during the years 2002-03, 2003-04 and 2004-05 respectively.

(b) RBI has granted specific permission in these cases on a case by case basis and has advised these banks to make appropriate disclosures in the `Notes on Accounts` to the Annual Financial Statements in respect of these cases where prudential exposure limits have been exceeded during the year. The banks are required to report the exposure on a quarterly basis to RBI and the same is also verified during the Annual Financial Inspection of the concerned banks.

(c) & (d) RBI has a well laid down system of monitoring and inspection to ensure compliance of its guidelines by the Banks.

(e) & (f): No such proposal is under consideration of the Govt. However, the banks take appropriate action to recover outstanding loans in accordance with their overall loan recovery policies, which, inter-alia, include regular follow up of loan accounts, filing of suits in civil courts/DRTs, issue of notices under SARFAESI Act, 2002, compromise settlement and monitoring and follow up of NPAs at various levels. Government has also advised PSBs to take effective measures for expeditious recovery of dues from the borrowers, including in NPA accounts. As Â£ result of efforts made by PSBs, their Gross Non-performing Assets have reduced from 5.5 % as on 31st March 2005 to 4.5% as on 31sl December, 2005 and Net Non-performing Assets from 2.1% as on 31st March 2005 to 1.5% as on 31st December, 2005. Further, the Government has put in place a mechanism to monitor the performance of all Public Sector Banks, including reduction of NPAs, on the basis of the `Statement of Intent on Annua` Goals` submitted by them.